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THE ECONOMICS OF LOW-RENT HOUSING*

A CHEMIST who either discussed his subject, or worked in his laboratory, on the assumption that all elements were equal, or that matter was composed of single homogeneous units called "molecules," would not remain long in his profession. Force of ridicule, or of some even more drastic happening, would remove him. But the economics of many practical and pressing problems is continually bedevilled by discussions, and even on occasion policies, which involve a sort of stubborn simplification quite unworried by the facts. It is certainly understandable that, in the field of housing, this complaint has arisen frequently from those who have tried to deal with the subject from a social rather than a particularist viewpoint, and in its full dimensions rather than within the limits of some familiar phase.[1] In the effort to get low-rent housing into its proper perspective, there are two obstacles which are particularly troublesome. One is the assumption that all housing "units" are the same, the kind of view which leads to the belief that "one thousand houses built" is the same contribution to national need, no matter what kind of houses they may be. The other is the argument or belief which really involves the assumption that peoples' incomes are broadly equal, and all comfortably above the average. The most frequent version is that most people, or at least a majority, can afford to own their own home, or should be encouraged to do so. A more valid but troublesome one in its "all-or-nothing" form is that cheapening the cost of construction is the "real" problem; and there are other variants. Another version, less frequently heard in these days of pressure, is that people live in slums because they like it.

Our statistical resources are better than they used to be, though they are still far from adequate, for the task of clarification. And it is necessary to know the dimensions of the total housing picture if Canadian housing progress since the war is to be assessed. We need more, however, a framework of analysis, for present and future action. This obviously includes the longstanding issue of low-rental housing; and it is with the purpose of reemphasizing, and redrawing if necessary, the outlines of this problem that this paper is presented.

Income and the Capacity to Pay. The distribution of income is the basic fact from which all housing plans must proceed. Clearly, it determines the capacity to pay rent, or the ability to build or buy a house; it involves the same kind of family budget implications which create the need for health insurance and other social security provisions; and it is the background against which the rocketing costs of post-war building must be assessed. Phrases like "effective demand" or "the demand schedule for housing" mean nothing unless they are interpreted in terms of the total income structure. For there is not a single homogeneous market for housing, but a set of markets. The corollary of this stratification is that several

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[1]See, for example, Nathan Straus, *The Seven Myths of Housing* or Catherine Bauer, *Modern Housing*.

different kinds of provision are needed—we must have a multiple housing policy, properly differentiated in structure, finance, and location—if the demand side as well as the supply side of the housing equation is to be realistically tackled.

To paraphrase the Housing Report,[2] three groups are particularly distinguishable. There are, first, the well-to-do who need no aid in building at all. These groups have founded the best residential districts in the cities, both old and new; their additions to the housing supply from one period to another though small in actual numbers, have been proportionately the least variable; and it is evident that they are building freely in the post-war period. Secondly, there are the "middle" groups who, if tenants, are normally able to pay an economic rent or, if prospective owners, may need varying types of assistance in financing home purchase. Thirdly, there are wage earners and others with moderate incomes and reasonable stability of employment "who none the less are not able to afford rents of higher levels than roughly $20 to $35 a month in the main urban areas. If they have to pay more, as they frequently do, other items in their living budget may suffer; if there are not enough houses at a decent standard at this rent level, they may be forced to live in unsatisfactory areas." The Report deliberately gave a wide range to these figures: whether they now demand qualification or revision is an important post-war question. The Report also warns that there is a fourth group—"even if a substantial building program provided better housing for the bulk of wage earner groups, the 'submerged tenth' (or whatever the proportion actually is) would perpetuate a market for the most deteriorated areas" unless a slum clearance programme deals with them.

The close relation between income and rent is recognized in the well-established formula that families below a certain level should not pay more than one-fifth of their monthly income for rent. This ratio has been written firmly into United States public housing legislation,[3] and it was implied, though in a much more indefinite way, in the first post-war version of Canadian legislation. Since the maximum income level for admission to a United States housing project was originally $1,200, this defined low-rental housing very specifically; though revisions of this upper limit are now under way in many cities, and the significance of this is such that we shall refer to it further in this paper. Even at medium-level incomes with present prices, however, the principle is inescapable. For the

[2]This designation will be used for convenience for Report IV, *Housing and Community Planning,* of the Advisory Committee on Reconstruction (Ottawa, 1944). Figures not otherwise accredited in the present paper are drawn from this source.

Space limitations make it necessary to confine the discussion to urban housing, and principally to the main cities where the most serious aspects of the housing problem are concentrated. The writer may perhaps be allowed to cite the Report as evidence that he is fully aware that farm and rural housing should receive their due share of attention.

[3]For United States projects, the ratio applies to net family income and gross rent (that is, including utilities). The principle is developed even further by charging only one-sixth of family income for larger families (with three or more "minor dependents"). On this basis (with annual review of tenant incomes) a schedule of graded rents, charging rents according to family income rather than the amount of accommodation, is possible in public projects.

ordinary housewife with a budget of, say, $2,000 the tug-of-war between rent and other family expenditures is most acutely felt as soon as there are increases in the cost of living, or the number of children in the family, or both.

An equally important principle is that a family should not try to buy or build a house costing more than twice the family income. This formula is also fairly consistent with the one-fifth charge for housing costs. A $2,000 budget for the average family can stand about $33.00 a month rent; finance charges for an N.H.A. loan on a $4,000 house would be about $23.00, and $10.00 a month would be a minimum for taxes and upkeep. Whether such a house is any longer

TABLE I

INCOME DISTRIBUTION AMONG (URBAN) FAMILY HEADS OF EMPLOYEE STATUS, 1941

Annual Earnings in Dollars	Male Heads of Families	P.C.	Appropriate Monthly Rental in Dollars
Under 500	114,900	11.8	Under 8.50
500- 750	85,900	8.9	8.50-12.50
750-1000	123,200	12.7	12.50-16.70
1000-1250	191,200	20.0	16.70-20.80
Under 1250	515,200	53.4	Under 21
1250-1500	114,900	12.1	20.80-25.00
1500-2000	180,400	19.1	25.00-33.30
2000-2500	75,000	8.0	33.30-41.70
2500-3000	27,200	4.7	41.70-50.00
3000 and over	44,800	4.7	50.00 or more
TOTAL.....	975,700	100	—

Source. Adapted from *Report on Social Security for Canada*, chap. III, table 3. Urban figures only; rental figures added. See footnote, p. 18, for figures on different basis, for 1942.

feasible is another matter. But for the moment the example serves to underline the other important aspect of this principle: that for most people of moderate income buying a home is a long-term undertaking and a serious responsibility. A twenty or twenty-five year mortgage assumes a substantial stability of income, a privilege which has not always been granted to the majority of wage earners. Under the pressure of real-estate inflation the effort is being made in some American quarters to suggest that the formula should now be two-and-a-half times rather than twice, extending a good deal further the limits to which a prospective owner should plunge, but the dangers of such a procedure should be obvious.

Actually a third factor is required for greater precision of approach to the demand schedule, namely, account of the variations in the "family cycle." For, to pick an obvious example, there is an enormous difference in terms of budget and need between a family with three children all at school and a family with three employed adults all earning in addition to the head of the family. It is significant to note, in passing, that the aroused interest in housing produced by widespread shortages is causing greater attention to be directed to this element in the housing picture than ever before. In systematic housing and city planning, the differing requirements of the average family at different stages of its growth and income should influence both our construction and financial arrangements. But we are

TABLE II

SOME INDICATIVE FIGURES OF CHANGES IN INCOMES, 1941-6

Income Group in Dollars	Urban Wage Earners All Categories, 1941*		Individual Taxpayers, 1946	
	No.	P.C.	No.	P.C.
500- 750	331,900	22.6	443,000	17.4
750-1000	286,800	19.4		
1000-1250	303,500	20.7	665,600	26.1
1250-1500	157,800	10.7		
1500-2000	224,400	15.2	658,450	25.9
2000-2500	86,800	6.0	380,300	15.0
2500-3000	30,400	2.1	162,525	6.3
3000 and over	48,100	3.3	245,934	9.3
TOTAL	1,490,900	100	2,545,309	100

Sources. Adapted from *Social Security for Canada, Canada Year Book 1947*, p. 1003. *Excluding under $500 category (614,600 persons) since income tax statistics include only persons with at least $660 income.

a long way indeed from this refinement; and to serve present purposes within a limited space, our analysis also must be limited.

It is helpful to take a preparatory glance at the figures (relating to 1941) which were central to the issues of the Social Security Report (Table I.) This showed among other things the incomes of the male heads of families in urban areas; and from application of the rental formula, it shows for example that if low-rental housing were defined at that time as meaning accommodation for renting for $20.00 or less, at least one-third of all urban families were in need of it. It is true that these figures make no allowance for extra earners, though it is well to remember that in average terms the families with extra earners have to be balanced against the families with mainly dependent children. Generous allow-

ance would be made for this factor, however, in putting the percentage just mentioned at one-third instead of one-half.[4]

It is obvious that income distribution must have changed considerably with the full employment and higher wage rates of the war period. The latest available figures derived from income tax returns (for 1946) are significant in this regard. They are compared (in Table II) with figures which are comparable with the Social Security table, but aggregating for this purpose male and female workers as well as the heads of families (and taking urban residents only). The two sets of figures are of course not completely comparable, but they afford a better comparison than with figures from 1941 income tax returns because the latter related to a much narrower income tax base. But it is not necessary, since they relate to individual and not to family incomes, to demand complete accuracy or to pursue the implications very far. The fact of enhanced earning power is readily apparent. The movement out of the less-than $1,000 category into higher ones is very marked, and the improvement of $1,500 to $2,000 incomes to $2,000 to $2,500, and of $2,000 to $2,500 to $2,500 to $3,000 is also suggested.

For housing purposes, it is still the pattern of *distribution* that is important. But adequate statistics are lacking, and will not be available until the 1951 census. Suppose we make what some will regard as a truly Herculean assumption, that with the increases in dollar earnings of the post-war years, family incomes in 1948 will turn out to be universally *twice as great* as they were in 1941. The resulting structure with its implications for rent paying capacity, and the values of housing which would be suitable, would be as follows (Table III). This is pure hypothesis, of course, and the label on the Table must be kept clearly in view; but the necessity of showing that the housing problem must be analysed in terms of its income dimensions, makes such a presentation imperative.

The Present Situation. Even if there were no qualifications to be attached to these income figures at all, the scales in Table III cause reflection enough. The average house built with N.H.A. assistance in 1947 cost about $6,800, calling for a loan of $4,860 and a down payment of nearly $2,000. Typical houses, both old and new, in the suburban areas of the main cities, it is well known, are on the market at $8,500 and upwards. The index of building material prices has risen, since 1941, 87 per cent. According to the B.C. Society of Residential Appraisers, which has made careful estimates, a standard unit stucco bungalow (five rooms and bath) which cost $4,274 just before the war, cost $8,920 in September, 1947. These prices, it may be added, include a lot formerly $500 and now $1,000, and 10 per cent builders' profits and 5 per cent real estate commission. New rental units in Housing Enterprises apartments, which were first announced as likely

[4]The most authoritative figures of total personal income distribution (as distinct from distribution among wage and salary earners only) are to be found in *National Accounts Income and Expenditure 1938-1945;* (revised edition, Ottawa, Apr., 1946). For married men, excluding agriculture and the armed services, these give the following (relating to 1942): below $1,500, 44.5 per cent; $1,500 to $2,000, 25.7 per cent; $2,000 to $2,500, 14.8 per cent; $2,500 and over, 15.0 per cent.

to provide accommodation at $40.00 a month, typically cost $47.00 (one bedroom only) and $52.80 and $60.00 for units suitable for families. An income of at least $200 a month is a general requirement before tenants can sign a lease; though $175 a month tenants are admitted in exceptional cases to some of the cheaper terrace type units. The average rental of the few units which have so far been built by builders or landlords taking advantage of the recent double-depreciation income tax provisions is $58.00 a month.

What of the wage earner's budget? The index of weekly earnings, which covers a very large sample of the Canadian working force, has risen 55 per cent since 1941, and the average weekly wage is now around $36.00. A salary of $1,800 a year is therefore likely to be a very common figure for principal wage earners at the present time.[5] But food prices in this same period have risen not

TABLE III

HYPOTHETICAL INCOME STRUCTURE (EMPLOYEE FAMILIES), AND ITS RELATIONSHIP TO HOUSING, 1948

Income Group in Dollars	P.C. Distribution	Rent Capacity	Value of Suitable House in Dollars
Under 1000	11.8	15 or less	—
1000-1500	8.9	16.50-25	—
1500-2000	12.7	25-33	3000-4000
2000-2500	20.0	33-42	4000-5000
2500-3000	12.1	42-50	5000-6000
3000-4000	19.1	50-66	6000-8000
4000-5000	8.0	66-83	8000-10,000
5000 and over	9.4	83 or more	10,000 and over

55 per cent, but 72 per cent. This pressure on the budget creates a housing dilemma, geared very closely to the number of children, for families anywhere near the minimum income level. The Toronto Welfare Council standard budget of income required for maintaining minimum health and decency, brought up to date, calls for about $1,865 for a family of five, of which only about $30.00 can be safely spared for rent.[6] A married couple with only one child, very typical house-hunters at the moment, may be able to afford $35.00 or $40.00 a month for rent, or

[5]There are important qualifications to this overall average. The figures for both manufacturing and building are around $33.00. They are probably nearest to the semi-skilled rate with unskilled workers earning less, and skilled workers more than this figure (the average for road construction is $27.00, for local transportation $39.60): lost time and regional variations must also be allowed for.

[6]The standard budget was actually $35.85 a week, for an average family of five, at the last revision in *1944*, since when the cost of living has risen 25 per cent.

may even begin the purchase of a home on such a basis. With two children, however, this will be much harder; and with three it may become quite impossible, so as to endanger the possibility of paying off a mortgage; or if they are paying rent, forcing them towards inferior or overcrowded accommodation. Family allowances undoubtedly ease this situation, but they are not enough, at present costs of living, to prevent it. As for other contributors to the family income, it is relevant to remember that families whose income is likely to be boosted most highly by this factor are "old" families, with grown children, and these are most likely to have established housing. It is the new families, and families with young children, who are most in search of accommodation, and these, incidentally, are now facing uncontrolled rents. The official rent index has risen comparatively little (10 per cent over 1941, 20 per cent since before the war), but it relates only to fairly cheap rents, of the order (today) of $25.00 to $30.00: an index of all rents would obviously show a much greater rise.

Look again at the key table (Table III). If it were taken as it stands, it shows that, *even with an unprecedented improvement of dollar-incomes all round,* home ownership is not really feasible for the lower-income third of all urban families, and there are important qualifications even for the second or "middle" third. The small N.H.A. house just before the war, and it may be noted that these rarely had more than two bedrooms, would have fitted into the $3,000 to $4,000 limit, but is now a thing of the past. A $3,000 to $4,000 house might still be possible in the smaller towns, as a small "cheap" house (of which more anon), or if built with the labour supplied mostly by the owner: but even these raise the question whether well-designed rental accommodation would not be superior. Further, only part of this income-sector can afford to pay rents of $25.00 to $33.00, and at a minimum, 20 per cent of urban families require low-rent housing proper, which has come generally to be accepted in post-war Canada as meaning below $25.00 a month.

In all probability these would be optimistic estimates. The income tax figures for 1946 (Table II), which are *not* hypothetical, show that very nearly 70 per cent of the more than two-and-a-half million Canadians who made income tax returns in 1946 were below the $2,000 level. To get from these a rough approximation of family income, if it is assumed that all the people earning less than $1,000 were wives or younger family members, as well as 100,000 of those in the $1,000 to $1,500 bracket, this would mean that 49 per cent of family heads came below the $2,000 level. Moreover, only 21 per cent of all taxpayers earned between $2,000 and $3,000, and again there is a big gap between this and the 42 per cent in the hypothetical family income table, which we are supposing to have been bridged by extra earners in the last two years.[7] Even so, there still remain the "new" middle group, which in the context of 1948 has been put at the $2,000

[7]The *average* amount added by extra wage-earners is easily overrated. In 1937-8 the special Dominion Bureau of Statistics Cost of Living Survey (which excluded social assistance families) showed the average wage-earner income to be $1,433, of which 92 per cent was, on the average, derived from the head of the family.

to $3,000 level. How many of them can get (or have managed to get in the last seven years of shortage and extreme mobility) houses built between $4,000 to $6,000, or rented suites or duplexes between $33.00 and $50.00? And if this is anything like the new scale of things and the typical N.H.A. house has passed beyond the $6,000 line, what are the implications, not only for home ownership, but also for a revision of our whole concept of low-rent housing?

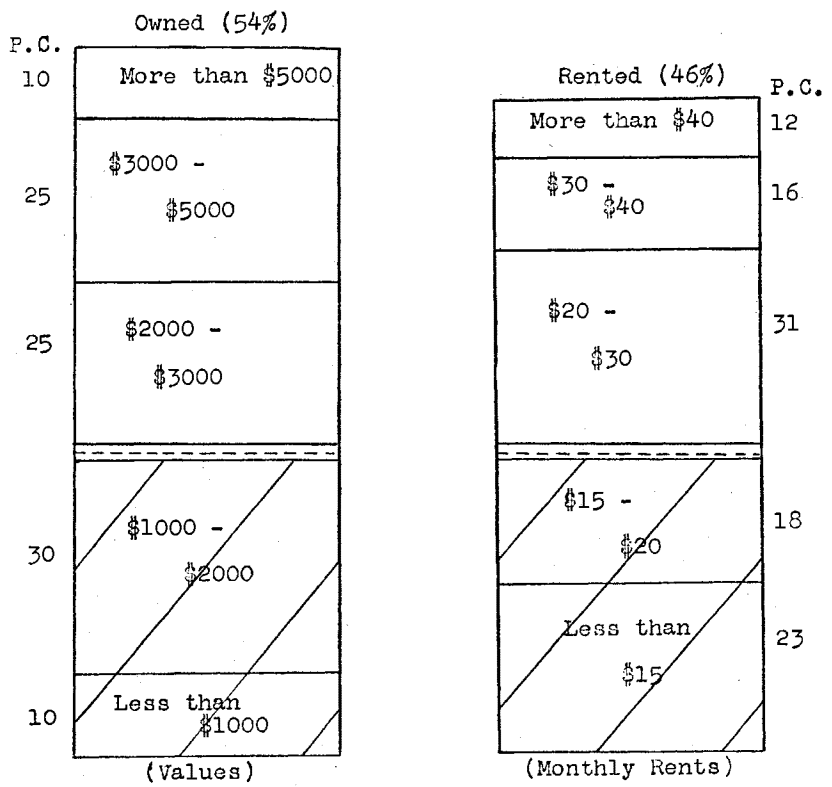
Before turning from this to a review of our total stock of housing as we stand at this new threshold, one final and very important point must be noted. Purchasing power available since the war has not derived only from higher wages and salaries (and profits) and an even fuller degree of full employment than during the war (because we have a greater *civilian* working force). It has been drawn in very substantial degree from accumulated savings, veterans' gratuities, and similar sources. The minister of finance's budget statement this year revealed that personal savings amounted to only 6 per cent in 1947 as compared with proportions like 14 and 21 per cent during the war: this is actually lower than in 1939. It is surely evident that an altogether undue proportion of personal savings have been siphoned into real estate. Many veterans' and war-workers' nest-eggs have of course gone into farms and small businesses as well as houses and land; but the number who have bought or built at extravagant prices, as the only way of getting accommodation at all, is legion. It is a serious question whether the housing situation would not have been much more acute than it is, and to the point of decidedly more radical action, if considerable post-war savings had not been available to many people of normally low and moderate income. Whether this has been the wisest use of them, and at the best time, is another matter. And the amounts available, for future emergencies, or for financing further home purchases at new record levels, are now drastically reduced.

The Supply of Housing. For clear analysis, it is essential to distinguish not only between (*a*) ownership housing and (*b*) rental housing, but, in each case, between (*a*) the existing stock of housing accommodation and (*b*) new additions to the supply. It is a major fact of the housing market that much the larger part of the supply is the stock of houses already built. It is insufficiently recognized how very much larger than current additions is the existing stock. Our scanty statistical resources so far do not permit separate measurements for rented and owned houses, but over-all estimates are significant enough. The total number of dwelling units in urban Canada in 1941 was about 1,437,000. The average additions in the decade before 1941 were certainly not more than 25,000 a year, and since 1941 (until very recently) not more than 35,000 a year. In other words, in recent decades new houses (and apartment units, etc.) have represented additions of less than 3 per cent, and even less than 2 per cent to the existing supply. Normally, therefore, the value of houses as commodities is substantially unaffected by small-scale accretions of new building—much less, certainly, than the fears of some proprietors and real estate agents on the subject of publicly-assisted housing suppose. A very large part of the existing supply of ownership houses are not "in the market" at all; they are bought or built for occupancy, unchanged

during the lifetime of a family or even more than one generation. It is the inflationary excesses of the last few years that have drawn in so large a proportion of "old" houses to swell the volume of sales and resales.

It would of course be a great mistake to assume that the stock of owned homes in Canadian cities is homogeneous, all of good standard, measuring up to the typical photographs, whether of solid suburban residences or modern dream homes. They have been built at different times over at least fifty and even a hundred years; and they range over a wider scale of values than is commonly realized. The figures for metropolitan Vancouver, which are given here to illustrate the actual combination of both rental and owned housing in a city, are sufficiently revealing on this particular point. Only 10 per cent of the owned homes, in 1941, were of the highest grade; but as many as 40 per cent were either extremely modest structures or of low value because of deterioration or age. There are big differences between cities, but of the total of 267,000 owned homes in the twenty-seven main Canadian cities, the Housing Report was able to characterize only 20 per cent as being in the higher brackets; 35 per cent were in the upper middle group ($3,000 to $5,000 at 1941 assessed values), 22 per cent

DISTRIBUTION OF HOUSING ACCOMMODATION,
METROPOLITAN VANCOUVER, 1941



moderate and low cost, and another 22 per cent either small, of light construction or poor condition. The fact is that residential property includes, besides the "fine homes" of which every city is proud, many other units of very different character: houses built by craftsmen of varying capacity for their own occupation, some very good and some very poor, frequently very small and mostly distinctly orthodox in construction; substantial houses which have seen better days and have now been converted to apartments, boarding houses, or "rooms"; and on the city fringes and on occasional isolated lots, structures which are little better than shacks. In detail, we know far too little about this part of our housing accommodation, and we shall only be properly informed when we have a series of real property inventories such as were conducted in many United States cities in the late thirties. Our replacement needs demand more attention than they are getting. So far as it was possible to make a national estimate in 1941, it appeared that 20.8 per cent of all our dwelling units were over forty years old at that date: since seven years have now been added to the age of the 18.9 per cent which were between thirty-one and forty years old, it is not unreasonable to suppose that the present proportion over forty years old is at least 25 per cent. We require a normal replacement rate of 2 per cent per year, apart altogether from population increase, since most houses are worn out after fifty years of use.[8]

Home Ownership: New Additions. This is another way of saying that our housing efforts, left entirely to individual provision prior to 1937 with the exception of a brief interlude in 1919-20, only managed to add a little more than the replacement rate; but without doing any replacement, and falling behind population increase altogether, particularly during the depression years.

Since there was no Dominion housing legislation till 1937, it should not really be surprising that the total number of houses built by assisted purchase (under N.H.A.) up to 1941 was only about 12,000. The numbers, however, are fantastically small. Even if we add the 6,242 houses built under the poorly-conceived and short-lived grants of 1919-20, the 330 houses constructed by the Toronto Housing Company under the Ontario legislation of 1913, and the eighty co-operative houses built under the Nova Scotia legislation, the total of about 18,650 represents an addition to the supply of owned houses of only 7.5 per cent *for the whole inter-war period.* Thanks to the Housing Report estimates, we have a better idea of our defects in total pre-war building, which can best be summarized in the fact that in only one year (1928) was a figure of over 50,000 units attained, and that in the worst of the depression years (1933 and 1934) the number was barely more than 15,000. This is not to deny the importance of N.H.A. legislation in drastically changing the conditions of mortgage financing, though it took seven years of depression to produce it. With interest rates commonly 7 or 8 per cent, and first mortgages limited to 60 per cent of the total value, it is only to be expected that new house building was confined almost entirely to the upper income groups.

[8]Fifty years is really excessive for predominantly wooden houses, in the light of contemporary revisions of housing design, changing family sizes, and town planning needs.

As to the area of housing need which was tapped by N.H.A. (Part I) before the war, there is still a good deal of misunderstanding. Among the 12,000 or so people who built under its provisions, the most typical incomes (a majority of 57 per cent) were between $1,500 and $2,500; and as many as 27 per cent of the purchasers were actually below the $1,500 level. The contrasts with the present situation are such as to make the late thirties seem like a golden age; but it is necessary to retain perspective. Some families, it is true, were buying homes for as little as $25.00 a month: but not more than a few thousand, in all the Canadian cities; and taxes and upkeep expenditures must be added to the finance charges to get a true budgetary figure. The most typical houses (two-thirds of them limited to four or five rooms) were of $3,000 to $4,000 values. In other words, these were suitable to families of $1,500 to $2,000 income, and a glance at Table I will help to show in what part of the total urban picture these belonged.

In essentials, N.H.A. was essentially a middle-income measure: its contribution within this range was sizeable since the construction figures previously mentioned are obviously a greater percentage for the middle sector than of the overall need. Had prices remained stable, and had certain other developments essential for the purpose been pursued, Part I provisions could have expanded home ownership in the lower middle groups, and it is conceivable that they might have catered for perhaps 50 per cent of the urban housing problem, but events have almost obliterated the possibilities of proof. It is important to note, however, that N.H.A. loans were never favoured in the eastern and other less favourably situated parts of cities, and it is only this year that companies participating in mortgage financing have been persuaded to give serious attention to small towns and country areas. Recent concessions in favour of more modest structures (for example, non-basement units, smaller equity payments, and so forth) have come under the pressure of high prices, rather than in the endeavour to get down to the low-income brackets. In short, sky-rocketed prices and various adaptations of the lending arrangements to meet them have caused the whole picture to become blurred, and the time is ripe for a reassessment of purposes. It would seem reasonable to suggest that assistance to urban home purchase requires two different schemes, not a single one as at present, even if the present scheme does contain a great deal of graduation. The average N.H.A. house has now become virtually a high-income undertaking, and this raises difficulties enough. But standards, design, financial possibilities, other types of assistance (including, for example, architectural and planning advice, or allowances made for labour contributed by the purchaser) are quite different for the inexpensive home such as might be built for a steady wage earner with a family income below $1,500 to $1,800. If we really want to encourage small home building, and this still seems to be a tenacious national objective, we should recognize frankly that this is a proper field for public expenditure and administration, not an operation to be left to the mortgage company intermediary, which must necessarily apply solely commercial standards; and that the protections should be those of advice and

assistance in small home design, and more vigorous town planning, rather than those which are suitable when the house is regarded simply as an investment.

It is not unimportant to add that much more serious consideration should be given to the needs of the larger families, even families with only three children. Far too many N.H.A. and other contemporary houses are too small.[9] It is not really meeting this point to say that "extra units can be added later"; they still have to be financed. Perhaps this is one direction in which the validity of subsidy will be more readily recognized. It is much easier, incidentally, to cater for this aspect of the housing problem with well-organized rental units.

Rental Housing. The rental housing situation, both demand and supply, takes on its true significance when seen against the background now described. The demand for rental housing, to begin with, is much greater than one would imagine from many contemporary discussions of the subject. In metropolitan Canada two families are tenants for every family owning, or beginning to own, its own home. The percentage in 1941 was actually 66.6 per cent, both for the twenty-seven major cities and for the twelve metropolitan areas combined (648,000 out of 972,000 dwelling units in the latter areas). If these figures mean anything, rental housing should be given twice as much importance as home purchase in urban programmes. Even before the war, in the light of the preceding analysis, rental housing and home ownership should have been accorded at least as much attention as home ownership, and this was to assume that a considerable proportion of tenant families could afford to switch to the obligations of home purchase. Rent levels, also, offer a significant commentary on the nature of the demand. In the major cities in 1941, about one-third of the rental units rented at between $20.00 and $30.00 a month, but nearly 40 per cent rented at less than $20.00. The Vancouver situation (shown in the chart) is a specially interesting one, because even in an area where ownership is more common than in most cities and the proportions are actually nearer to fifty-fifty, the variety in the rent scale is very striking.

The supply of rental units is probably more diverse, and certainly less well adapted to need, than the units built for sale or owner-occupancy. There are regional variations, of course. To mention only two well-known examples, apartment suites and flats are much more common in metropolitan Montreal (83 per cent of all rented units), and duplexes are particularly common in Toronto (25 per cent of rented units). But in most Canadian cities, two characteristics are clear. Modern apartments, including luxury suites, are very far from typical. The group renting at over $50.00 a month in 1941 accounted for only 5 to 6 per cent of the total, equivalent to perhaps 1,800 buildings (35,000 units), for all

[9]Comparison of typical sizes of contemporary houses and older ones shows readily the trend to much smaller houses. More efficient design has contributed a little to this, especially among the good quality houses, but high costs of labour and materials have dictated most of the pattern. The pursuit of "cheap" houses for sale to get them within the range of wage earners and some middle-income groups has produced a number of examples of houses which are too flimsy or too small (for example, one bedroom, or little more than 500 square feet).

metropolitan Canada. Even more important, apartments deliberately built as such and intended for moderate income tenants are the exception. The great source of rental accommodation is the converted house, and this may range all the way from the superior suite in a "good" district to the decayed rooming house of the blighted areas.

The most important movement of single family properties out of the existing supply is in the form of conversion, to various forms of rental accommodation. It has been, in actuality, urban Canada's alternative to the replacement rate; and it has been a source appealed to, publicly or privately, at every recurrent crisis of housing shortage as an alternative to public housing. Apart altogether from such questions as quality and efficiency and the undermining of zoning by-laws,

TABLE IV

FAMILY-INCOMES AND RENTS OF TENANT WAGE EARNERS, METROPOLITAN AREAS, 1941

Low Income Group (177,000 Families)		Middle Income Group (177,000 Families)	
Average family income	$703	Average family income	$1389
Actual incomes:		Actual incomes:	
Below $500	21.2%	Below $1500	59.9%
$500-$1000	52.0	$1500-$1800	30.5
$1000-$1200	20.2	$1800-$2000	7.7
$1200 or more	6.6	$2000 or more	1.9
Rents paid:		Rents paid:	
Less than $20	60.6	Less than $20	36.1
$20-$34	32.6	$20-$34	49.4
$35 or more	6.8	$35 or more	14.5
P.C. paying disproportionate rent	88.7	P.C. paying disproportionate rent	50.5

Source. Advisory Committee on Reconstruction, Report IV, *Housing and Community Planning*, chap. V, tables 25, 26, 27, 28, 30, 34.

it would seem that its potential quantity is apt to be overrated. The Housing Conversion Plan which, under the special pressure and incentives of war, gave government aid and sanction to the process in 1943, set for all the war-affected cities a target of 1,700 to 2,500 units. At the lower end of the housing scale, of course, this resort means second-hand housing, boarding houses, housekeeping rooms, slums.

Unfortunately the supply of obsolescent and cheapened accommodation usually falls short of the demand so long as there is no public housing and inadequate provision for several categories of single persons ranging from white collar workers to migratory labourers (a group particularly neglected in Canadian housing), and so long as the income-distribution scale remains what it is.

It is still necessary, it would seem, to recapitulate the facts of the tenant wage-earner distribution which were carefully examined in the Housing Report (Table IV). It is worth noting that the average wage of urban tenant families in 1941 was $1,684 (and $1,605 in 1931), not so radically different from $1,800 or $2,000 today at present price levels; and this average figure is quite consistent with a situation in which one-third of the tenant families needed very low-rent accommodation, and were not getting it, and in the medium group, half were paying more rent than their budget justified. Now it is quite likely that rent control, in contrast to price de-control, has made it easier for many families to keep within their budget than ever before. But the costs may be substandard housing or overcrowding, for the lowest rents are still in the blighted areas and

TABLE V

INDICATIONS OF HOUSING SUPPLY, 1935-47

Year	Estimated Total	NHA Units	Wartime Housing
1939	32,200	4549(b)	—
1940	20,000	5228	—
1941	24,000	4693	1203
1942	18,000	1007	8307
1943	20,000	1720	7444
1944	30,000	1393	1617
1945	48,599(a)	4433	1721
1946(c)	63,637	7313	6997
1947(c)	76,738	10,933	5421

Sources. Advisory Committee on Reconstruction, Report IV, *Housing and Community Planning; Housing in Canada*, Jan., 1948 (Dept. of Reconstruction); *Canada Year Books;* (*a*) D.B.S. special counts available from 1945 on. (*b*) NHA units built 1935-8, approximately 4,900. (*c*) Housing Enterprise units built 1946-7, 3,300; Defence units, 4,790; small numbers under Veterans Land Act, etc. N.B. A later estimate for 1947 gives a figure of 79,000; the total for 1945-7 has therefore been referred to in round figures, at 190,000, in the text.

more people have been forced to live there under the pressure of shortage everywhere.

Post-War Progress. The record of post-war building can now be viewed in the perspective which this paper has tried to sketch. Since 1945, a new sample count by the Dominion Bureau of Statistics, and the useful collation of materials by the Research Division of the Department of Reconstruction make measurement much easier, but estimates are still necessary before that date. The principal figures are brought together in Table V. It is true that in each of the last two years more houses have been built than in any previous year, and it is true there have been many obstacles. But it must be clear by now that units mean little without reference to (*a*) their cost, (*b*) whether they are for rent or for sale, and

(*c*) their location. The great bulk of the 190,000 houses built since 1945, as everybody knows, have been high-cost houses, and for purchasers only. A house of $6,500 or more is barely within the grasp of a family with a steady income of $3,000 a year, and it is doubtful if there are more than 250,000 such families in all the cities of Canada. For that matter, only about 74 per cent of last year's 77,000, and 73 per cent of the 63,000 of 1946 were urban: still less (58 per cent) were in the metropolitan areas. It would seem as if only about 140,000 of the post-war units built so far can be credited against city scarcities.[10]

In a general way most people are now familiar with the fact that a national housing programme must take account of at least two main sets of factors, not only (*a*) current needs but also (*b*) "the backlog." The former is the most readily understood, as the simple need for more houses for a growing population. Actually the current needs are more complex than they sound, because building deficits on ordinary population-growth account have accumulated from past years, including not only the depression period but the war years when restrictions were placed on building. Furthermore, the marriage rate has accelerated since the end of the war; a large part of the abnormal wartime influx to the cities has remained (very notably in some areas such as British Columbia); while even the lower *general trend* in the birthrate (as distinct from the especially high birthrate of the last few years) means that smaller families are the rule and that therefore a given increase in population involves a larger demand for dwell-

[10]The non-urban units presumably include most of the comparatively small number of houses built under the Veterans Land Act, and the Farm Loan Act and Farm Improvement Loans Act (about 2,000 under the former legislation for farms, small holdings, etc., and about 440 new farms under the latter legislation); some of the 3,751 units for municipalities and universities assisted under the Emergency Shelter Regulations; and part of the 456 units completed for military and Defence Research Board use. The priority-rating statistics of the Department of Reconstruction record 850 " prefabricated houses" as under construction without indicating their location: local by-laws prevent their erection in many cities.

Note. Since this was written, a valuable set of statistics has been made available by the Economic Research Division of Central Mortgage and Housing Corporation, in their new bulletin *Mortgage Lending in Canada;* tables of particular relevance to the theme of this article appear on pp. 27 and 55-7, which analyse in detail the components of the total of 81,404 housing units financed publicly and privately in 1947. Misleading deductions are likely to be drawn from this compilation, however, if it is not remembered (*a*) that it refers to starts, not completions, during the year, and (*b*) that it covers a very mixed range of construction activity.

If exclusion is made of farm and rural units, temporary and emergency shelter, housing for military or Defence Board workers, and home improvement, the total is reduced by 7,240. The total of "normal" housing units for urban areas is thus just short of 74,000, and (since these are "starts" only) part of this must be attributed to 1948. It is worth noting that only 17,000 of these (of which Wartime Housing rental units for veterans account for 6,720) were aided directly or indirectly through government financing. Further, since it is known that 78 per cent of the privately financed or constructed housing was for owner-occupancy, it is possible to compute the overall percentage of rental housing in the "corrected" total of 74,000. Including the 6,720 Wartime Housing units, the number for 1947-8 was 19,300 or about 26 per cent: excluding them, 17 per cent. Practically none of these latter are likely to rent for less than $45.00 a month.

ing units than it used to. Taking account only of essentials, our ordinary current needs (urban) must be at least 50,000 units a year. This may taper off a little as cities and families stabilize, but before we derive any consolation from this prospect the other factors in the picture must be considered.

Previous analysis makes it clear that about half of present building should be rental units, or at the very least rental units plus very low-cost ownership units. But the proportions have been more like 20 per cent, and of inadequate type. The only sizeable source of rental housing at the moment is Wartime Housing, now being continued under its new name of Veterans' Housing Projects as a branch of the Central Mortgage and Housing Corporation. To its 20,300 wartime units built in the five years after its inauguration in February, 1941, it has added 12,400 in the last two years and many more are under contract or construction. To many families desperately seeking a roof, and terrified by current building prices, they must seem (at $30.00 to $40.00 a month) low-rental housing indeed; and their contribution is undeniable. But they cannot be regarded as fitting the permanent requirements of municipal administration and finance, the needs of city wage earners, or slum clearance and town planning programmes. They are reserved for veterans, which is understandable; but the housing problem is not confined to veterans. Built on a strictly temporary basis (to the point of being demountable) and for wartime industries, many are not suitably located; yet other sites are being filled on a hand-to-mouth basis by several cities, and some are being made available for purchase.

The other consideration is the "backlog." Primarily this relates to the reduction of overcrowding and the elimination of slums, both of which are essential if our national housing objective is a satisfactory dwelling unit for every family or household. There is more to it than this, as we shall see, but this is difficult enough. There is no need to enlarge on the significance of 200,000 units (in the twenty-seven main cities) with defective sanitary facilities, 150,000 in need of external repairs, 150,000 overcrowded families, all enumerated seven years ago:[11] the stories of unofficial conversions, illegal basements, and condemned buildings still in use, trailers, motels, and the rest are testimony to the situation. The target of 606,000 put forward as a minimum programme for the post-war decade by the Curtis Committee is now a familiar figure; but it is doubtful if the concessions made to keep this to minimum proportions are equally familiar. The calculation precluded any consideration of (*a*) a normal replacement rate and (*b*) a vacancy rate, which should be added to (*c*) current needs and (*d*) substandard backlog for a complete programme. The replacement rate, that is, allowance for the steady withdrawal of worn-out and outmoded housing not in blighted areas, as already indicated, might reasonably be 2 per cent per year even if there were no slums and no population growth at all. A vacancy rate is

[11]These figures of course overlap a great deal: there is no standard count of substandard and overcrowded housing as a whole. A summary of local (city) surveys during the period 1931-41 is given in the Housing Report, pp. 237-40, 243-7. It may be worth noting that a mimimum measurement of (urban) overcrowding in 1931 was 78,000 households.

obviously necessary if any mobility in the population is to be assumed, to say nothing of changes in requirements owing to the "family cycle." Four per cent is regarded as normal in some quarters, but even 1 per cent would obviously require a large addition to existing stocks.[12] Much more important, however, is the fact that the Curtis figure provides for only part of the slum and sub-standard clearances; for less than half of the doubled-up families, and makes no allowance for non-family crowded units at all.

The brute fact is that the backlog needs in our cities have hardly been touched at any time. Practically every one of our houses has been built on the assumption that it will stand forever. Our needs in clearance, rebuilding, and meeting satisfactory living standards have accumulated, decade by decade, until they are now ominously large; and we have no provision for dealing with them, judging from experience so far, which appears to be workable. The problem requires Dominion, provincial, and municipal co-operation; but the failure of the 1945 Dominion-Provincial Conference to reach a point where this urgent item on the agenda could have received attention has imposed intolerable delays. Meantime, we cannot claim that we have worked out methods and machinery sufficient to deal with current needs.

Implications for the Future. At this point, the question marks begin; and it may be simpler to conclude by restricting the questions to five and giving at least a few suggestions about the answers.

(1) Is the simple answer higher rents? Is rent control repressing the incentive of builders and landlords, so that better housing can only be expected if it is removed? There are two sets of facts to consider. First, past history has already shown how limited and inadequate the supply had been, in the long period before there was any rent control. Recent history is surely also significant. Housing Enterprises, which was launched in 1946 with a projected programme of 10,000 units, asked to be released from this undertaking after building some 3,300 units only (renting at $50.00 to $70.00 a month). The special inducement which is being extended to builders by the government in the form of double depreciation allowances for income tax has so far resulted in twenty-eight projects being built, providing a total of only 370 dwelling units (renting at about $60.00 a month).

Then, how high is "higher"? The differential between the rents of pre-war houses and those of newly-built units is already clearly marked. The "stock," however poor some of it may be, is much bigger than the new additions; and what increase in supply would be gained by allowing the rents of all the old units to rise? For that matter, would there be more success in keeping a limit on rents than there has been in real estate values or building prices? Would doubled rents, changing the common $20.00 to $25.00 rents to $40.00 to $45.00 levels which have been inadequate to call forth commercial renting in the post-war period, be

[12]Public housing projects, it may be noted, have proved manageable with very low vacancy rates. Commercial apartments must allow higher vacancy rates the nearer they come to the "hotel level" of mobile occupancy.

tolerable for thousands of tenant families?

(2) Would it not be more reasonable to be realistic about rent-paying capacity of many wage earners and recognize that the provision of low and even moderate rental housing is not a commercial proposition, particularly if it is to meet decent standards and eliminate slums? We cannot forever go on assuming that the market for houses is like the market for automobiles, a sort of necessity-luxury commodity which is naturally restricted to those who can afford it. People who cannot afford automobiles at least have other methods of transport, some of them publicly provided; but people who cannot get decent housing are citizens in serious distress, a source of economic and social unrest. There is a sector of the housing market, in other words, which is much more akin to that of public health or education. We do not expect everybody to build his own hospital and his own school; and we do recognize it as a valid and economic form of collective expenditure.[13]

The possibilities of competition between public housing and private housing, which some may fear, are really almost non-existent, unless it be the healthy competition of good design and improved town planning. Private builders in Canada will presumably continue to do the construction work in both fields. As for the landlord, the gap is greater than it has ever been between commercial possibilities and the income structure. In the current revision of the United States Housing Act (the Wagner-Ellender-Taft Bill) a clause has been recommended which would ensure a gap of at least 20 per cent between the rents of a public housing project and the lowest rents of new commercial housing in the area: there are many with public housing experience who are sure that (if this kind of protection of the private builder is really needed) an even bigger gap would still leave plenty of room for public housing development.[14]

(3) Is the reduction of building costs a better alternative? This is a large subject and would require a separate paper to cover it adequately: for it raises questions of the rationalization of the building industry; the possibilities and

[13]A Housing Committee of the House of Commons reported, among others, the following as its conclusions thirteen years ago:

> "(4) The formation, institution and pursuit of a policy of adequate housing should be accepted as a social responsibility.
>
> "(5) There is no apparent prospect of the low-rental housing need being met through unaided private enterprise building for profit.
>
> "(13) The slum areas which have been shown to cast very heavy expenses on many branches of public administration such as health, welfare, fire prevention, administration of justice, etc., may justify public assistance, which is likely to prove as sound financially as it is certainly desirable socially." (*Final Report of the Special Committee on Housing, 1935,* p. 375).

[14]By the same token, rental insurance is more likely to freeze the gap than to bridge it. High-rental housing is alone commercially profitable. A guarantee against loss in rents will not induce building at public housing rents, which are too low for profit. Public housing, on the other hand, does not need rental insurance at all.

limitations of prefabrication and related techniques; the various responsibilities of price decontrol, monopoly practice, and the building crafts for our present difficulties. The simple answer must be that of course cost reductions are desirable; but to pursue them *alone* will not break the dilemmas of our heavy backlog and particular types of housing requirements. We need financial and administrative innovation as well. It is relevant to point out that a large-scale public housing programme is the only way of opening up opportunities for utilizing technical research, better design, and the economies of mass production, to an extent that will really pay. There are also long-term opportunities of improvements in municipal finances from the eradication of blight which will develop through piece-meal private building. Finally, all reliable records show that public housing is economical, not extravagant. In the United States local Housing Authorities have demonstrated that they can borrow money at remarkably low rates (2 to 2½ per cent), and it has been easy to raise from local sources much more than the statutory minimum of one-tenth of the bond issues. The loss items in public housing accounts are practically negligible; and the absence of marketing-builders' profits and real estate commissions are further economies.

(4) Can subsidies be avoided? The preoccupation with this subject whenever it relates to housing is strange, in view of the fact that taxes and subsidies are one of the essentials of public finance, the very warp and woof of modern economic development and social control. The scientific approach to a subsidy is not to say that by definition it must be bad (a view which some people still take of taxes, *per se*), but to examine what kind of a subsidy it is, and what is its purpose. Subsidies for housing are already in existence. Double depreciation allowances in income tax are a form of subsidy to builders. Wartime Housing has operated with at least partial subsidies from municipalities in the form of a nominal price for lots, and token payments in lieu of regular taxes. Veterans' housing, like veterans' health and veterans' education has been heavily, and properly, subsidized since the war. Subsidies for public housing must of course be properly adjusted and properly administered, but there is plenty of experience from 500 American cities to indicate how this can be done. What perhaps still needs to be made clear is that the subsidy required for low-rental projects is the taxpayer's only contribution, and is a minor proportion of the total cost. The loans to finance their construction are not part of the total cost, for these are fully repaid; and the greater part of the revenue necessary to pay them comes from the rents paid by the tenants themselves.

(5) It is a more practical question to ask: what groups should be eligible for public housing? The new post-war level of prices and building costs has widened the gap so greatly between those who can really afford to build and those who need good housing at reasonable rents, that the income limit of a housing scheme may today be quite high. A number of low-rental projects in the United States whose original income limit was $1,200, have recently been raised to levels of $2,400 and even more, without coming anywhere near the area of competition with commercial housing. Rents and costs have not risen quite as much

in Canada as in the United States, but we face the same kind of situation. It could prove a blessing in disguise, for it is easier to design and to manage projects which would house several wage-earner groups; it would also avoid the segregation which has been the natural result of severely limited schemes.

The prospect that opens for us, if we are imaginative enough to seize it, is that we could make public housing not a mere slum clearance measure or a means of providing for the very poorest groups, but the provision of good rental housing as part of a programme of urban rehabilitation. Public housing is an essential weapon in the clearance of blight areas, not only because these are the low-rent districts, but because they are central areas close to business and industry sections. So far, we have made the worst of both worlds, allowing the superseded areas to degenerate into slums; reserving unduly large areas for commercial expansion which does not materialize, partly because of the blight; and failing to provide satisfactory accommodation for city wage earners near their work.

It is tempting, of course, to suggest that slum clearance be left aside "until we are over the hump." But the whole import of this analysis is that housing is not that kind of a problem. If it is tackled piece-meal the parts get out of balance, and the maladjustments set up further costs and social problems. To approach one part as an emergency or temporary shortage and leave the other largely to the "free market" i.e., those who can most afford to pay, is to invite exactly this. Modern housing calls for sober planning and the most serious and systematic effort to integrate all types of housing needs in rational proportions. The wedge of low-rental housing needed to restore the balance is bigger, and covers a wider income-range, than ever before. Post-war economics make it essential that new forms of publicly-assisted rental housing be devised, and given a vital place in our cities.

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